

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

In re: _____

Chapter 11 Case No.

Lehman Brothers Holdings Inc., et al.,

08-13555

Debtors.

JANUARY 2015 POST-EFFECTIVE OPERATING REPORT

JANUARY 2015

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS

DEBTORS' ADDRESS: LEHMAN BROTHERS HOLDINGS INC.
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REPORT PREPARER: LEHMAN BROTHERS HOLDINGS INC., AS PLAN ADMINISTRATOR

Date: February 27, 2015

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SCHEDULE OF DEBTORS

The following entities (the “Debtors”) filed for bankruptcy in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) on the dates indicated below. On December 6, 2011, the Bankruptcy Court confirmed the Modified Third Amended Joint Chapter 11 Plan of Lehman Brothers Holdings Inc. and its Affiliated Debtors (the “Plan”). On March 6, 2012, the “Effective Date” (as defined in the Plan) occurred. The Debtors’ Chapter 11 cases remain open as of the date hereof.

	<u>Case No.</u>	<u>Date Filed</u>
Lehman Brothers Holdings Inc. (“LBHI”)	08-13555	9/15/2008
LB 745 LLC.....	08-13600	9/16/2008
PAMI Statler Arms LLC.....	08-13664	9/23/2008
Lehman Brothers Commodity Services Inc. (“LBCS”)	08-13885	10/3/2008
Lehman Brothers Special Financing Inc. (“LBSF”)	08-13888	10/3/2008
Lehman Brothers OTC Derivatives Inc. (“LOTC”).....	08-13893	10/3/2008
Lehman Brothers Derivative Products Inc. (“LBDP”)	08-13899	10/5/2008
Lehman Commercial Paper Inc. (“LCPI”).....	08-13900	10/5/2008
Lehman Brothers Commercial Corporation (“LBCC”)	08-13901	10/5/2008
Lehman Brothers Financial Products Inc. (“LBFP”)	08-13902	10/5/2008
Lehman Scottish Finance L.P.	08-13904	10/5/2008
CES Aviation LLC	08-13905	10/5/2008
CES Aviation V LLC.....	08-13906	10/5/2008
CES Aviation IX LLC	08-13907	10/5/2008
East Dover Limited	08-13908	10/5/2008
Luxembourg Residential Properties Loan Finance S.a.r.l.....	09-10108	1/7/2009
BNC Mortgage LLC	09-10137	1/9/2009
LB Rose Ranch LLC	09-10560	2/9/2009
Structured Asset Securities Corporation.....	09-10558	2/9/2009
LB 2080 Kalakaua Owners LLC	09-12516	4/23/2009
Merit LLC	09-17331	12/14/2009
LB Somerset LLC.....	09-17503	12/22/2009
LB Preferred Somerset LLC.....	09-17505	12/22/2009

The Company has established an email address to receive questions from readers regarding its financial disclosures. The Company plans to review questions received, and for those subjects which the Company determines a response would not (i) violate a confidentiality provision, (ii) place the Company in a competitive or negotiation disadvantage, or (iii) be unduly burdensome relative to the value of information requested, the Company shall endeavor to post a response (maintaining the anonymity of the questions’ origination). The Company assumes no obligation to respond to email inquiries.

Please email questions, with document references as needed, to:

QUESTIONS@lehmanholdings.com

The Company’s posted responses were last updated on October 30, 2014, and can be found on the Epiq website maintained for the Company:

www.lehman-docket.com under Key Documents, Responses to Questions Submitted

LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED ENTITIES**BASIS OF PRESENTATION
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
JANUARY 1, 2015 – JANUARY 31, 2015**

The information and data included in this January 2015 Post-Effective Operating Report (the “Operating Report”) are derived from sources available to Lehman Brothers Holdings Inc. (“LBHI”), as Plan Administrator, and its Controlled Entities (collectively, the “Company”). The term “Controlled Entities” refers to those entities that are directly or indirectly controlled by LBHI, and excludes, among others, those entities that are under separate administrations in the United States or abroad. LBHI and certain of its Controlled Entities filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the “Debtors”. The Debtors’ Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. LBHI has prepared this Operating Report, which includes certain information as required by the Office of the US Trustee, based on the information available to LBHI at this time, but notes that such information may be incomplete and may be materially deficient in certain respects. This Operating Report is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. LBHI reserves all rights to revise this report.

Other items:

1. This Operating Report is not prepared in accordance with U.S. generally accepted accounting principles (GAAP), is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future. Cash balances and activity denominated in foreign currencies have been converted to US Dollars.
2. Beginning and ending balances include demand deposits, interest-bearing deposits with banks, U.S. and foreign money-market funds, U.S. government obligations, U.S. government guaranteed securities, investment grade corporate bonds and commercial paper, and AAA-rated asset-backed securities secured by auto loans and credit card receivables.
3. Beginning and ending cash balances are based on preliminary closing numbers and are subject to adjustment.
4. Beginning and ending cash and investment balances exclude the following:
 - Cash posted as collateral for hedging activity; and
 - Cash held at real estate owned properties or at third party real estate managers.

5. Restricted cash balances are based on preliminary estimates and are comprised of the following items as of January 31, 2015:

(\$ in millions)	Debtors					Debtor- Controlled Entities	Total Debtors and Debtor- Controlled Entities
	LBHI	LBSF	LCPI	Other	Total		
Reserves for Claims:							
Disputed unsecured claims ⁽¹⁾	\$ 2,168	\$ 1,769	\$ 16	\$ 383	\$ 4,337	\$ -	\$ 4,337
Tax claims ⁽²⁾	390	25	-	4	419	-	419
Distributions on Allowed Claims (not remitted) ⁽³⁾	119	1	47	1	168	-	168
Secured, Admin, Priority Claims and Other ⁽⁴⁾	72	13	4	7	96	-	96
Subtotal, Claims Reserves	2,749	1,809	67	396	5,020	-	5,020
Cash pledged to JPMorgan (CDA) ⁽⁵⁾	285	-	-	-	285	-	285
Citigroup and HSBC ⁽⁶⁾	2,034	-	-	-	2,034	-	2,034
Other ⁽⁷⁾	226	21	8	30	286	97	382
Total	\$ 5,294	\$ 1,829	\$ 76	\$ 426	\$ 7,625	\$ 97	\$ 7,722

Totals may not foot due to rounding.

- (1) Represents the cash reserve for the principal amount of the disputed unsecured claims subsequent to the sixth Plan distribution on October 2, 2014.
- (2) Represents the cash reserve for the Internal Revenue Service (“IRS”) amended proof of claim that was filed in December 2014 and approved in January 2015. As a result, LBSF’s separate tax reserve was reduced by \$92 million to \$25 million.
- (3) Includes (i) approximately \$25 million related to unpaid Plan distributions to holders of Allowed Claims that are held pending resolution of certain matters with various Non-Controlled Affiliates, (ii) approximately \$63 million related to claimants subject to Office of Foreign Asset Control (“OFAC”), and (iii) \$80 million related to other open items.
- (4) Includes approximately \$34 million related to post-petition intercompany payables, \$10 million related to disputed secured claims and \$52 million related to other administrative activities and other.
- (5) Represents \$285 million of cash deposited into accounts by LBHI and pledged to JPMorgan (and its affiliates, “JPM”) pursuant to paragraph 6(b) of the Collateral Disposition Agreement (“CDA”) with JPM effective March 31, 2010; related to, but not limited to, clearance exposures and derivative exposures pending resolution of these items.
- (6) Represents cash deposited on or prior to September 15, 2008 by the Company in connection with certain requests and/or documents executed by the Company and Citibank N.A. of approximately \$2 billion and HSBC Bank PLC of \$27 million, including interest earned thereon. The Company is in discussion with HSBC Bank and commenced litigation against Citigroup regarding these deposits, among other things.
- (7) Other includes (i) various pre-petition balances on administrative hold by certain financial institutions of \$91 million; (ii) asserted misdirected wires and other cash received by LBHI for the benefit of third parties and Non-Controlled Affiliates of approximately \$56 million; (iii) cash not remitted by Debtor-Controlled Entities of \$39 million to third parties, including various Non-Controlled Affiliates, pending settlements on intercompany balances, for their pro rata share of distributions; (iv) cash held at Debtor-Controlled Entities due primarily to LBHI of \$50 million; and (v) other miscellaneous items of \$146 million, which include the transfer of \$24.5 million made by LBHI in January 2015 to the rabbi trust created pursuant to section 9(g) of the LBHI Director Incentive Plan; as a result of the transfer, the rabbi trust balance increased to \$34 million, net of a \$5.2 million distribution paid in January 2015.

Restricted cash balances herein do not include other cash reserves required for operating expenses, asset preservation and other commitments (e.g. anticipated investments).

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities
Summary Schedule of Cash Receipts and Disbursements
January 1, 2015 - January 31, 2015

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

	Debtors					Debtor- Controlled Entities	Total Debtors and Debtor- Controlled Entities
	LBHI	LBSF	LCPI	Other	Total	Total	
Beginning Free Cash and Investments (01/01/15)	\$ 623	\$ 97	\$ 207	\$ 410	\$ 1,337	\$ 1,065	\$ 2,402
Restricted Cash	5,312	1,928	80	429	7,749	153	7,902
Beginning Total Cash and Investments	5,935	2,025	287	839	9,086	1,218	10,304
Sources of Cash							
Commercial Real Estate	0	-	14	-	14	20	34
Loans (Corporate and Residential)	40	-	0	-	40	20	61
Private Equity / Principal Investing	6	-	0	-	6	4	10
Derivatives	-	(5)	-	-	(5)	-	(5)
Receipts from Affiliates	680	0	12	174	866	1	866
Other	100	0	9	0	110	2	111
Total Sources of Cash	826	(5)	35	174	1,030	47	1,077
Uses of Cash							
Non-Operating							
Commercial Real Estate	0	-	(2)	-	(2)	(5)	(7)
Loans (Corporate and Residential)	(0)	-	-	-	(0)	-	(0)
Payments to Creditors	(40)	-	-	-	(40)	(180)	(221)
Other	(0)	(0)	(0)	-	(0)	(0)	(0)
Operating Expenses	(70)	(0)	(0)	(0)	(70)	(4)	(74)
Total Uses of Cash	(110)	(0)	(2)	(0)	(113)	(190)	(302)
Net Cash Flow	716	(5)	33	174	917	(143)	775
Inter-Company Transfers, Net	(290)	(4)	(2)	560	264	(264)	0
Other	36	-	-	-	36	-	36
Loan Agencies, Net	-	-	0	-	0	-	0
FX Fluctuation	(4)	0	(0)	(0)	(4)	(1)	(5)
Ending Total Cash and Investments	6,393	2,016	318	1,573	10,299	811	11,110
Restricted Cash	(5,294)	(1,829)	(76)	(426)	(7,625)	(97)	(7,722)
Ending Free Cash and Investments (01/31/15)	\$ 1,099	\$ 186	\$ 242	\$ 1,147	\$ 2,674	\$ 714	\$ 3,388

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".
Totals may not foot due to rounding.

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities
Schedule of Cash Receipts and Disbursements
January 1, 2015 - January 31, 2015

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

			Debtors			Debtor- Controlled Entities	Total Debtors and Debtor- Controlled Entities
	LBHI	LBSF	LCPI	Other	Total	Total	
Beginning Free Cash and Investments (01/01/15)	\$ 623	\$ 97	\$ 207	\$ 410	\$ 1,337	\$ 1,065	\$ 2,402
Restricted Cash	5,312	1,928	80	429	7,749	153	7,902
Beginning Total Cash and Investments	5,935	2,025	287	839	9,086	1,218	10,304
Sources of Cash							
Commercial Real Estate							
Principal (a)	0	-	14	-	14	20	33
Interest	0	-	0	-	0	0	1
Loans (Corporate and Residential)							
Principal (b)	40	-	0	-	40	22	62
Interest	1	-	0	-	1	(2)	(1)
Private Equity / Principal Investing							
Principal	0	-	-	-	0	4	5
Interest and Dividends	5	-	0	-	6	-	6
Derivatives							
Return / (Posting) of Hedging Collateral, net	-	(13)	-	-	(13)	-	(13)
Collections from Live / Terminated Trades	-	7	-	-	7	-	7
Receipts from Affiliates							
Distributions from Non-Controlled Affiliates (c)	680	0	12	174	866	1	866
Other							
Other (d)	100	0	9	0	110	2	111
Total Sources of Cash	826	(5)	35	174	1,030	47	1,077

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".
Totals may not foot due to rounding.

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities
Schedule of Cash Receipts and Disbursements
January 1, 2015 - January 31, 2015

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

		Debtors				Debtor- Controlled Entities	Total Debtors and Debtor- Controlled Entities
		LBHI	LBSF	LCPI	Other	Total	Total
Uses of Cash							
Non-Operating							
Commercial Real Estate							
Preservation of Assets		0	-	(2)	-	(2)	(7)
Loans (Corporate and Residential)							
Preservation of Assets		(0)	-	-	-	(0)	(0)
Payments to Creditors							
Plan Distributions	(e)	(39)	-	-	-	(39)	(39)
Payments to Creditors - Non Controlled Affiliates	(f)	(2)	-	-	-	(2)	(182)
Other							
Other		(0)	(0)	(0)	-	(0)	(0)
Operating Expenses							
	(g)						
Compensation and Benefits	(h)	(50)	-	-	-	(50)	(53)
Professional Fees		(9)	(0)	(0)	-	(9)	(10)
Other	(i)	(10)	(0)	(0)	(0)	(10)	(12)
Total Uses of Cash		(110)	(0)	(2)	(0)	(113)	(302)
Net Cash Flow		716	(5)	33	174	917	775
Inter-Company Receipts	(j)	276	1	6	562	845	901
Inter-Company Disbursements	(j)	(566)	(5)	(8)	(2)	(581)	(900)
Other	(k)	36	-	-	-	36	36
Loan Agencies, Net		-	-	0	-	0	0
FX Fluctuation		(4)	0	(0)	(0)	(4)	(5)
Ending Total Cash and Investments	(l)	6,393	2,016	318	1,573	10,299	11,110
Restricted Cash		(5,294)	(1,829)	(76)	(426)	(7,625)	(7,722)
Ending Free Cash and Investments (01/31/15)		\$ 1,099	\$ 186	\$ 242	\$ 1,147	\$ 2,674	\$ 3,388

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities
Schedule of Cash Receipts and Disbursements
January 1, 2015 - January 31, 2015

Unaudited (\$)

Notes:

- (a) Cash collections at Debtor-Controlled Entities primarily include \$17 million from the sale of a commercial mixed-use property.
- (b) Cash collections primarily include \$37 million and \$22 million at LBHI and LB Pass-Through Securities Inc., respectively, from the paydown of Broadhollow Funding Subordinated Notes.
- (c) Receipts from Non-Controlled Affiliates primarily include \$494 million, \$6 million, \$56 million, \$45 million and \$15 million at LBHI, LCPI, LBCS, LBCC and Other Debtors, respectively, from the sale of \$2.5 billion face amount of general unsecured claims against Lehman Brothers Inc for \$616 million. Receipts from Non-Controlled Affiliates also include (i) \$184 million at LBHI from Lehman Brothers Finance SA (in liquidation) ("LBF") and (iii) \$34 million and \$24 million at LBCS and LBCC, respectively, from Lehman Brothers Bankhaus A.G.
- (d) Other includes the net variation margin of \$108 million received on the Company's foreign currency hedging program related to movements in the Euro, British Pound, Swiss Franc and Japanese Yen.
- (e) Payment to Creditors - Plan Distributions at LBHI primarily include a payment to LBF of \$33 million, which was previously included in restricted cash.
- (f) Payments to Creditors - Non-Controlled Affiliates primarily include payments from various Debtor-Controlled Entities to (i) Lehman Brothers Asia Holdings ("LBAH") of \$127 million as payment on intercompany balances and (ii) various Lehman Brothers Japan entities ("LBJ"), pursuant to a settlement agreement finalized in January 2015, of \$56 million.
- (g) A portion of the Operating Expenses paid by LBHI is subject to allocations to, and reimbursement from, various Controlled Entities.
- (h) Compensation and Benefits includes the Company's employee expenses as well as fees paid to Alvarez & Marsal (A&M). Compensation and Benefits includes bonus payments of approximately \$44 million to Lehman employees for services performed in 2014.
- (i) Operating Expenses - Other includes (i) the payment by LBHI of \$5.2 million from the rabbi trust to the Board of Directors pursuant to the LBHI Board of Directors Incentive Compensation Plan (refer to Docket No. 44924 for further detail), and (ii) payments related to outsourced services, IT, occupancy, taxes, insurance and other general administrative items.
- (j) Inter-Company Receipts and Disbursements primarily include the repayment by LBHI to LOTC of a \$560 million loan made to LBHI by LOTC in October 2014. Intercompany transfers also include partial repayments on intercompany balances and other administrative activities.
- (k) Other includes \$36 million of cash collateral posted by LBHI on a financial transaction in December 2014, which was returned to LBHI in January 2015.
- (l) Ending Total Cash and Investments for Debtor-Controlled Entities - Other includes \$103 million of cash balances at Debtor-Controlled Entities in Asia.

**LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED
ENTITIES**

**BASIS OF PRESENTATION
SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS
JANUARY 1, 2015 – JANUARY 31, 2015**

The information and data included in this January 2015 Post-Effective Operating Report (the “Operating Report”) are derived from sources available to Lehman Brothers Holdings Inc. (“LBHI”), as Plan Administrator and its Controlled Entities (collectively, the “Company”). The term “Controlled Entities” refers to those entities that are directly or indirectly controlled by LBHI, and excludes, among others, those entities that are under separate administrations in the United States or abroad. LBHI and certain of its Controlled Entities had filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the “Debtors”. The Debtors’ Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. LBHI has prepared this Operating Report, including certain information as required by the Office of the United States Trustee, based on the information available to LBHI at this time, but note that such information may be incomplete and may be materially deficient in certain respects. This Operating Report is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. LBHI reserves all rights to revise this report.

1. This Operating Report is not prepared in accordance with U.S. generally accepted accounting principles (GAAP), is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future.
2. The professional fee disbursements presented in this report reflect the date of actual cash payments to professional service providers. The Company has incurred additional professional fee expenses during the reporting period that will be reflected in future Operating Reports as cash payments are made to providers.
3. The professional fee disbursements presented in this report have primarily been paid by LBHI; a portion of these fees have been and will be allocated to Debtors and certain Controlled Entities based on the dedicated costs associated with each entity and an allocation methodology.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Debtor-Controlled Entities
Schedule of Professional Fee and Expense Disbursements
January 2015 (a)

Unaudited (\$ in thousands)

		Jan-15
Alvarez & Marsal LLC	Interim Management	\$ 1,753
Professional Fees		
Akerman Senterfitt & Eidson PA	Special Counsel	119
Arnold & Porter, LLP	Special Counsel	4
Curtis, Mallet-Provost, Colt & Mosle LLP	Litigation Counsel	409
Jones Day	Special Counsel - Asia and Domestic Litigation	688
Jones & Keller, P.C.	Special Counsel - Residential Real Estate	471 (b)
Milbank Tweed Hadley & McCloy LLP	UCC Litigation Committee and Litigation Counsel	176
Paul, Hastings, Janofsky & Walker LLP	Special Counsel - Real Estate	46
Quinn Emanuel Urquhart Oliver & Hedges, LLP	UCC Litigation Committee and Litigation Counsel	1,475
Reilly Pozner LLP	Special Counsel - Mortgage Litigation and Claims	1
Weil Gotshal & Manges LLP	Lead Counsel - Debtors	2,276
Willkie Farr & Gallagher LLP	Special Counsel - Real Estate	920
Wollmuth Maher & Deutsch LLP	Special Counsel - Derivatives	334
US Trustee Quarterly Fees		243
Other Professionals - Legal	Various	1,960 (c)
Other Professionals - Non-Legal	Various	440 (c)
Other Professionals - Asia	Various	24
Sub-total Professional Fees		9,586
Total Professional Fees (including A&M)		11,339
Total Professional and Incentive Fees		\$ 11,339

(a) The Company has incurred additional professional fee expenses that will be reflected in future Operating Reports.

(b) Reflects professional fees incurred for multiple months.

(c) Other Professionals reflect disbursements, including expert witnesses fees, to over 100 vendors.